

Message Text

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ACTION XMB-04

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FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 6674

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E. O. 11652: N/A

TAGS: EGEN, NU

SUBJECT: THREE REGIONAL GRAIN STORAGE UNITS

REF: STATE 078420

1. EMBASSY HAS NO OBJECTION TO PROPOSED PROJECTS WHICH
FIT IN WELL WITH OVERALL AGRICULTURAL POLICY AND PROGRAMS OF GON.

2. SITUATION SURROUNDING BIDS IS SOMEWHAT CONFUSED AT
THE PRESENT TIME. ACCORDING TO THE HEAD OF THE TECHNICAL
DEPARTMENT AT THE BANCO NACIONAL THE SELECTION COMMITTEE WILL
BE CONSIDERING SEVERAL ALTERNATIVES: BUILDING ONE, TWO OR
THREE GRAIN STORAGE UNITS IN ADDITION TO THE TWO EXISTING
FACILITIES, OR DOUBLING THE CAPACITY OF ONE OR BOTH OF THE
EXISTING FACILITIES. THE COST OF INCREASING THE CAPACITY OF
EXISTING FACILITIES WOULD BE MUCH LESS, BUT IN THE LONG RUN,
IT WOULD BE ADVANTAGEOUS TO HAVE NEW FACILITIES IN OTHER
REGIONS OF THE COUNTRY. NEVERTHELESS, UNCERTAINTIES ABOUT
PRICES AND OUTPUT IN THE SHORT RUN MAKE EXPANSION OF
EXISTING FACILITIES AN ATTRACTIVE ALTERNATIVE.

3. ACCORDING TO BANCO NACIONAL, LANG ENGINEERING HAS
PRESENTED PROPOSALS FOR BOTH EXPANSION OF EXISTING FACILITIES
AND CONSTRUCTION OF COMPLETE NEW FACILITIES. IT IS QUOTING
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U.S. \$3,068,800 FOR ONE COMPLETE GRAIN STORAGE FACILITY,

WITH AN ESTIMATED 70 PERCENT OF THAT TOTAL GOING TO U.S. EXPORTS, 30 PERCENT FOR LOCAL INPUTS. IT HAS MADE NO FINANCING PROPOSALS. FOR DOUBLING CAPACITY OF ONE EXISTING FACILITY LANG QUOTED U.S. \$1,185,000 WITH AGAIN APPROXIMATELY 70 PERCENT FOR U.S. EXPORTS.

4. AN ARGENTINIAN FIRM, PUMATEC, HAS ALSO PRESENTED PROPOSALS. PUMATEC QUOTES U.S. \$2,785,000 FOR ONE COMPLETE NEW STORAGE FACILITY. IN ADDITION, IT OFFERS TO FINANCE 80 PERCENT OF TOTAL FOR 8 YEARS AT 8 PERCENT, THROUGH ARGENTINIAN NATIONAL BANK. IN ADDITION, PROPOSAL CONTAINS NO CLAUSE ABOUT PASSING ON INCREASES IN MATERIAL OR FREIGHT COSTS (UNLIKE LANG PROPOSAL), WHICH GREATLY APPEALS TO THE BANCO NACIONAL. PUMATEC WILL SOON PRESENT A PROPOSAL FOR DOUBLING CAPACITY OF EXISTING FACILITIES. HEAD OF TECHNICAL UNIT AT BANCO CENTRAL FELT THAT LANG PROPOSAL WOULD USE SLIGHTLY SUPERIOR MATERIALS IN COMPARISON TO PUMATEC; HOWEVER, HE FELT THE FACILITIES LANG WOULD BUILD WOULD PROBABLY BE BETTER THAN ACTUALLY NECESSARY, AND PUMATEC WOULD SATISFY REQUIREMENTS ADEQUATELY.

5. ANOTHER U.S. FIRM, GREAT AMERICAN, HAS PRESENTED A PROPOSAL TO INCREASE CAPACITY OF EXISTING FACILITIES OF ABOUT HALF THE COST OF LANG PROPOSAL. HOWEVER, IT HAS NOT YET BEEN DETERMINED WHETHER GREAT AMERICAN'S PROPOSAL IS FEASIBLE OR MEETS NICARAGUAN REQUIREMENTS. FEASIBILITY NOW BEING STUDIED. LOW COST IS ATTRACTIVE.

6. AN ENGLISH FIRM IS ALSO PREPARING A BID, AND IT SHOULD BE PRESENTED WITHIN THE NEXT TWO WEEKS.

7. WE WILL ATTEMPT TO KEEP INFORMED OF FURTHER DEVELOPMENTS, SPECIFICALLY THE TERMS OF THE ENGLISH BID, THE PUMATEC BID FOR EXPANDING EXISTING FACILITIES, AND RESULTS OF GREAT AMERICAN FEASIBILITY STUDY.

8. EMBASSY STRONGLY RECOMMENDS THAT EXIM BANK OFFER ATTRACTIVE FINANCING TO COMPETE WITH ARGENTINIAN OFFER. DIFFERENCE BETWEEN LANG AND ARGENTINIAN BIDS IS QUITE SIGNIFICANT, AND ARGENTINIAN FINANCING OFFER IS NOT LIMITED OFFICIAL USE

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UNATTRACTIVE EITHER. GIVEN ITS SLIGHTLY SUPERIOR DESIGN AND PREVIOUS SATISFACTORY WORK IN NICARAGUA, LANG MIGHT WIN CONTRACT IF FINANCING IS SUFFICIENTLY ATTRACTIVE.

9. A DECISION WILL BE MADE END OF APRIL BY A COMMITTEE CONSISTING OF THE PRESIDENT OF THE BANCO NACIONAL, THE MANAGER OF INCEI, AND THE MINISTER OF ECONOMY. THE COMMITTEE'S DECISION WILL THEN BE PRESENTED TO PRESIDENT

SOMOZA FOR FINAL OKAY. EMBASSY URGES THAT EXIM BANK
ACT QUICKLY.
SHELTON

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